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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable Ike Skelton
House of Representatives
2227 Rayburn House Office Building
Washington, D.C. 20515

93-253

Dear Congressman Skelton:

This in reply to your letter of September 17, 1993, concerning the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on small businesses, rural telephone companies and businesses owned by women and minorities.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Auction NPRM), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Auction NPRM proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for services subject to competitive bidding *i.e.*, installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS rather than against larger entities with easier access to capital.

In a separate proceeding on PCS, GEN Docket 90-314, the Commission adopted a licensing coverage scheme based on Rand McNally's Basic Trading Areas (BTAs) for local markets and Major Trading Areas (MTAs) for regional markets. There are 51 MTA and 492 BTA-based service areas under the plan adopted by the Commission. The channelization plan adopted by the Commission includes four 10 MHz blocks, one 20 MHz block, and two 30 MHz blocks. The rules allow licensees to aggregate not more than 40 MHz of spectrum in any geographic area. This will insure between three and seven PCS licenses in each area.

As we consider the comments in the competitive bidding proceeding, I can assure you that we will keep in mind our mandate to ensure economic opportunity for small businesses, as required by the Budget Act.

Sincerely,

James H. Quello
Chairman

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September 17, 1993

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The Honorable James H. Quello
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, DC 20554

Dear Commissioner Quello:

As the Federal Communications Commission prepares the upcoming personal communications services (PCS) rulemaking, we urge you to consider the impact of the final rule on rural and small businesses wishing to participate in the emerging PCS industry.

The FCC's auction authority, outlined in the Omnibus Budget Reconciliation Act of 1993, includes guidelines to the Commission to design the auction so that rural telephone companies, small businesses, and minority and female-owned enterprises can participate effectively and independently for PCS licenses.

Small companies want to take part in the new PCS market, but fear that the FCC will decide to auction licenses on a national or regional basis, which will effectively remove small businesses and start-up entrepreneurs from the competition. The combination of auction fees and construction costs resulting from national or regional licenses will place PCS beyond the financial and operational reach of small business and into the hands of a few large corporations.

By contrast, a licensing structure allowing up to five licenses in small markets (as advocated by the Small Business Administration and the Justice Department) will allow small businesses and entrepreneurs to effectively compete and deliver their contributions to the PCS marketplace.

Smaller markets would increase competition and encourage companies to participate directly in the auction process. Smaller markets would also help ensure that rural areas, often ignored by bigger telecommunications firms, would be served. Large, regional licensees are unlikely to extend PCS services anytime soon to the remote, rural sections of their giant market areas. Small businesses, however, see many opportunities to serve rural customers, if they can get PCS licenses.

Commissioner Quello
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We urge you to adopt a licensing structure ensuring the participation of rural and small businesses in the upcoming PCS auction process.

Sincerely,


IKE SKELTON, M.C.


BILL EMERSON, M.C.